

Primeat Co-operative Ltd

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Co-operative Federation of Victoria Ltd

After 28 years, the Primeat Co-operative Society Ltd was wound up in 2003.

The co-operative was formed to increase the bargaining power of small pig farmers. The co-operative succeeded in increasing the bargaining power of its members until the 1990's but by then industry closures, consolidations and the emergence of corporate pig farms meant that the co-operative could no longer successfully compete for its members.

The Beginning

The Primeat Co-operative Society was established in Beaufort in 1975.

The formation meeting was at Beaufort, Victoria, and attended by 30-40 farmers.

The first chairman was Mr. Paul Beechey and the first Secretary was Mr. Paul Macher. In subsequent years, the position of Chairman was rotated by directors.

A list of directors who served the co-operative for what years and when they fulfilled the role of Chairman:

- 1975** Formation directors: Paul Beechey (Chairman), John Anderson, Ian Stanford, Ian Hateley, John Molloy, Alex Cameron, James McKenzie and Ross Macher (Secretary)
- 1979** Gerald Shipway replaced John Molloy
- 1980** Duncan Thomson replaced Paul Beechey
- 1981** Edwin Burge replaced Alex Cameron. James McKenzie replaced Ross Macher as Secretary.
- 1982** Peter Smith replaced Gerald Shipway
- 1983** Deane Garrard replaced James McKenzie (who remained as Secretary/Manager)
- 1984** Ron Vine replaced Ian Stanford
- 1985** Gerard Murphy replaced Peter Smith
- 1986** John McIlvride replaced Edwin Burge
- 1990** Barry Schultz replaced Ian Hateley
- 1991** Vivian Vine, David Ruwoldt replaced Ron Vine, Duncan Thomson
- 1994** Adrian Thomson replaced Gerard Murphy

1996 Peter Ridgway replaced Deane Garrard

1997 B. Ray replaced Adrian Thomson

2000 G. Mills replaced B. Schultz

2001 K. Quick replaced John McIlvride. David Ruwoldt resigned. John Anderson was presented with a life member certificate

The co-operative was formed to enable farmers to sell pigs to processors to achieve a better price rather than going through the then prevailing auction system. Under the auction system sellers took their pigs to a central point where they were auctioned and buyers bid. Pig auctions were regularly held at places such as Ballarat, Bendigo and Swan Hill.

Farmers members were required to purchase 40 \$1 shares paid up to 50% and were originally required to pay a 3% commission to the co-operative. The commission level was determined each year at the co-operative's AGM. The highest level was 3.5%.

At the time of the co-operative's formation, there were 24,994 pig farmers throughout Australia and the average herd size was 12.4.

The co-operative had seven directors selected on an area basis – Mallee region, South Australia, the Border Town area, the Lower Wimmera and Hamilton.

Confronting Crisis

Initially, in 1975 the co-operative appointed the secretary as manager on a fixed salary to sell pigs to processors, monitor sales and build-up the membership. While the membership was built-up, all pigs were eventually going to one processor Potts that went bankrupt in 1979. As a result of this, individual growers lost \$30,000 altogether and this created a crisis of confidence in the co-operative.

Following this experience, a director Jim McKenzie became the co-operative's manager and secretary and has remained in this position up to 2003. "I offered to take it on for six months," said Jim, "until someone else was appointed." After 12 months Jim resigned from the board to avoid a perceived conflict of interest.

The co-operative also decided in future to:

- Deal with three or four processors rather than just one "the policy of dealing with at least three or four processors was so that we weren't caught," explained Jim.

- Create insurance shares where the funds were put into a trust as insurance against a future loss. According to Jim, “They were voluntary. If you didn’t take them up you didn’t have insurance. Most of the main ones took up the insurance shares – between 60 and 70 members.”
- Pay the manager a retainer with a commission. According to Jim “the commission would depend on the co-operative’s sale numbers.”

The manager would contact processors, negotiate sales and contracts and monitor the processors on behalf of the members.

At its peak, between 1982 and 1990, the co-operative had 170 members with up to 100 active at any time and a turnover of \$4-5 million. According to Jim, “the manager liaised between producers and processors.”

In the middle 1980’s shareholding requirements were increased from 40 to 100 shares to get more capital into the co-operative.

With the passage of the Co-operatives Act 1996, the co-operative was required to develop an active membership provision. The active membership provision developed by the co-operative required members to have one transaction with the co-operative every 12 months to remain an active member. “It was a token requirement,” said Jim.

The main active users of the co-operative were selling pigs at least on a monthly basis, some on a fortnightly basis and others even weekly.

“We tried very hard to get people to work together. After all, there’s strength in numbers. They say, however, it’s impossible to get two farmers to agree.”

“There was also a job to keep loyalty with peripheral members.”

He said that peripheral members had limited transactions with the co-operative depending on what prices they could get.

Co-operative Impact

The impact of the co-operative on the income of its members was significant. Jim McKenzie estimates that there was “a 10% increase of income overall and when prices were down and it was hard to sell, we were able to get a 10-15% increase for members.”

The co-operative introduced the method of selling weight and grade – and worked with processors on these.

Up until this time pigs were sold on a subjective basis. According to Jim, “The pigs were put in a pen and the buyer looked at them.” Initially, the co-operative measured the pigs with a ruler. By 1977 the co-operative was using a hand-held Improscope that was pushed into the pig.

The co-operative pioneered a system where today about 95% of pig sales are based on weight and grade.

The co-operative also pioneered a quality assurance program with Perfect Pork in Melbourne. It was initially discussed by the co-operative in 1996, first written in 1998, discussed with members and adopted in 2000 – developed before the industry’s own quality assurance program.

“We tried to keep it going”

The co-operative has resisted winding-up. “We tried to keep it going. It wasn’t an overnight decision. For the last four years the co-operative has probably not been viable. Two years ago it was decided to stop trading with processors and go back to the auction system.”

By 2003 membership had decreased to 21 with five active. Most members had left the industry and a few had become big enough to deal directly with processors.

He said that the 24,994 pig producers in 1975 had decreased to 3,018 in 1999 with most of them corporate producers. A mainland processor such as QAF Meat Industries is a fully integrated production and processing operation at Corowa, New South Wales, with 60,000 sows.

In 1999 there were 3,018 herds and 304,635 sows throughout Australia. Of these, 38 herds accounted for 129,314 sows. In 1975 a 400 piggery was regarded as big but now 10,000-15,000 is regarded as a big piggery.”

Between 1975 and 1999 the average herd size had increased from 12.4 to 100.9.

By 2004 the corporate producers were experiencing their own competitive difficulties with the rising Australian dollar pushing imports from North America and Europe to record highs. The European Union has also announced new pig meat subsidies and the Australian Government is considering allowing 10 countries to sell pork in Australia.